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Energex Limited
Ring-Fencing Guideline Compliance Report
For the period 1 July 2019 to 30 June 2020

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1. Executive Summary

1.1 Introduction

The Australian Energy Regulator (the "AER") published the Electricity Distribution Ring-Fencing Guideline on 30 November 2016 under the National Electricity Rules (the "NER") with amendments made on 17 October 2017 (the "Guideline"). The Guideline requires functional separation of regulated and competitive business activities to promote competition in the provision of contestable electricity services.

Under clause 6.2.1c of the Guideline, Deloitte has been engaged per the engagement letter between Energex Limited ("Energex") and Deloitte dated 15 September 2020 as the qualified independent authority to provide reasonable assurance that Energex's Ring-Fencing Annual Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline, in all material respects, for the period from 1 July 2019 to 30 June 2020.

1.2 Summary of Findings

The following table summarises observations and recommendations against the Guideline obligation (the "Obligation") where an exception was identified. The rating of each Obligation has been applied in accordance with *Section 1.3*.

No.	Category	Ref.	Guideline Obligation	Results of Testing	Recommendation	Rating	Material Breach
20	Maintaining compliance	6.1	A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its Obligations under this Guideline.	<p>Based on the testing performed we identified matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> 227 employees have yet to complete the Ring-Fencing training, this equates to 2.8% of total Energy Queensland Group staff. During the period there was limited second line monitoring of Ring-Fencing compliance across Energex. With 227 personnel not having completed mandatory Ring-Fencing training, including secondees there is a risk that Ring-Fencing matters go undetected. Whilst no Ring-Fencing matters have been identified during the audit period, customer contact 	<p>To address the results of testing we recommend:</p> <ul style="list-style-type: none"> The 227 Energex employees who have not yet completed Ring-Fencing training program do so as soon as possible. Consider the restriction of secondment of these employees until Ring-Fencing training is completed. Energex allocate the responsibility of monitoring Ring-Fencing compliance matters to a dedicated team or person. Energex consider flagging complaints for potential Ring-Fencing consideration. 	Exception.	No.

No.	Category	Ref.	Guideline Obligation	Results of Testing	Recommendation	Rating	Material Breach
				<p>points such as complaints may be used as identification of Ring-Fencing non compliances or near misses. Energex complaints are not monitored or assessed for potential Ring-Fencing consideration. There is a risk potential Ring-Fencing breaches may be missed.</p>			

1.3 Rating Applied

The ratings applied to the results of our testing are defined below based on Deloitte's interpretation of the Guideline. The evaluation of the results of our tests as they relate to the Obligations is based on applying our professional judgement and considering the available facts and circumstances.

No Exception	Requirements of the Obligation have been met with no or only minor improvement opportunities. Any findings noted are considered minor and require routine efforts to correct in the normal course of business.
Exception	The requirements of the Obligation have not been fully met. Findings noted require remedial action.

Independent Assurance Report to the Directors of Energex

Opinion

We have undertaken a reasonable assurance engagement on whether Energex's Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Ring-Fencing Guideline - Electricity Distribution (the "Guideline") as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 July 2019 to 30 June 2020. The Ring-Fencing Compliance Report will accompany our report, for the purpose of reporting to the Australian Energy Regulator ("AER").

In our opinion, the Energex's Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 July 2019 to 30 June 2020.

Basis for Opinion

We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* ("ASAE 3100") issued by the Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors of Energex

The Directors are responsible for:

- a) Providing a statement with respect to the outcome of the evaluation of the compliance activity against the requirements of the Guideline, which accompanies this independent assurance report.
- b) Identifying risks that threaten the 6.2.1b of the Guideline identified above being met;
- c) Identifying suitable compliance requirements in the Guideline as required by the AER; and
- d) Identifying, designing and implementing controls to enable the requirements of the Guideline to be met and to monitor ongoing compliance.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements* in undertaking this assurance engagement.

Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on whether Energex's Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 July 2019 to 30 June 2020. ASAE 3100 requires that we plan and perform our procedures to obtain reasonable assurance about whether Energex's Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 July 2019 to 30 June 2020.

An assurance engagement to report on the Energex's Ring-Fencing Compliance Report involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the requirements of the Guideline. The procedures selected depend on our judgement, including the identification and assessment of risks of material misstatement in the Ring-Fencing Compliance Report, as evaluated against 6.2.1b of the Guideline.

Our procedures included, but were not limited to:

- Inquiring with Energex staff about measures they have in place to enable Energex to comply with the Obligations;
- On a sample basis, inspecting documentation to evidence the measures; and
- Inquiring with management whether they are compliant with the Obligations and corroborating our inquiry with the results of our procedures.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or exception with compliance requirements may occur and not be detected.

A reasonable assurance engagement for the period from 1 July 2019 to 30 June 2020 does not provide assurance on whether compliance with the Guideline will continue in the future.

Restricted Use

This report has been prepared for use by the Directors of Energex for the purpose of meeting the reporting requirements to the AER. We disclaim any assumption of responsibility for any reliance on this report to any person other than Energex, or for any purpose other than that for which it was prepared. However, we understand that a copy of the report has been requested by AER. We agree that a copy of the report may be provided to AER for their information in connection with this purpose but, as will be made clear in the report, only on the basis that we accept no duty, responsibility or liability to any party, other than you, in connection with the report or this engagement.

It is our understanding that the AER may publish a copy of our report on their website. We do not accept responsibility for the electronic presentation of our report on the AER's website. The security and controls over information on the web site is not evaluated or addressed by the independent assurance practitioner. The examination of the controls over the electronic presentation of the Ring-fencing Compliance Report on the AER's web site is beyond the scope of this engagement.

DELOITTE RISK ADVISORY



Angela Jaric

Partner

November 2020, Melbourne

2. Detailed Findings

The descriptions of the tests of compliance that were performed, findings relating to the tests of compliance or particular aspects of the engagement, our recommendations and conclusions of whether there has been a breach of the requirements of the Guideline are described below.

The rating of each Obligation has been applied in accordance with *Section 1.3*.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
1	Legal separation	3.1 (a)	A DNSP must be a legal entity.	<p>Measure(s):</p> <ul style="list-style-type: none"> All EQL Group companies have separate ABNs and are registered with ASIC. Energex Registered Australian Company Number (ACN). <p>Tests Performed:</p> <ul style="list-style-type: none"> We performed an ASIC search on Energex using the ACN in the distribution license to establish it is a separate legal entity. We inspected the Energex website https://www.Energex.com.au/ to establish it reflected the ACN. 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.
2	Legal separation	3.1 (b)	A DNSP may provide distribution services and transmission services, but must not provide other services.	<p>Measure (s):</p> <ul style="list-style-type: none"> Energex constitution. Board paper templates include means for identifying Ring-Fencing papers. A separate affiliated entity Yurika was established to perform "other services" outside distribution and transmission services which are performed by Energex. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected Energex's constitution to determine whether it addressed Ring-Fencing requirements and did not promote the services of Energex's unregulated assets. 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
				<ul style="list-style-type: none"> We inspected a Board paper across the period to determine whether Ring-Fencing related meeting content was flagged appropriately. From the population of feedback cases received within the period, we selected a sample to determine if the feedback cases were received on the basis Energex has not provided contestable services to customers. From the population of legal agreements between Energex and service providers we obtained a sample to determine whether the ring-fencing requirements for service providers have been included and agreements have been signed. 			
3	Separate accounts	3.2.1 (a)	A DNSP must establish and maintain appropriate internal accounting procedures to ensure that it can demonstrate the extent and nature of transactions between the DNSP and its affiliated entities.	<p>Measure (s):</p> <ul style="list-style-type: none"> Cost Allocation Methodology (CAM) continues to incorporate Ring-Fencing requirements Monthly variance analysis conducted. Monthly Journal transfers and reconciliation process. A monthly review of general ledger accounts is performed by the Financial Controller to confirm that no breaches in this requirement have occurred. A report of variances is produced monthly. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the CAM to determine whether that it addresses the allocation of costs between distribution services and non-distribution services. From the population of monthly reconciliation reports we selected a sample to determine 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
				whether transactions were treated in accordance with the CAM and not in conflict with Guideline requirements.			
4	Cost allocation and attribution	3.2.2 (a), (b)	A DNSP must allocate or attribute costs to distribution services: - in a manner that is consistent with the Cost Allocation Principles and its approved CAM , as if the Cost Allocation Principles and CAM otherwise applied to the allocation and attribution of costs between distribution services and non-distribution services. - and must not allocate or attribute other costs to the distribution services it provides.	Measure (s): <ul style="list-style-type: none"> CAM continues to incorporate Ring-Fencing requirements Monthly variance analysis conducted. Monthly reconciliation of budget vs actual. A separate affiliated entity Yurika was established to perform "other services" outside distribution and transmission services which are performed by Energex. Tests Performed: <ul style="list-style-type: none"> We inspected the CAM to determine whether it addresses the allocation of costs between distribution services and non-distribution services. From the population of monthly reconciliation reports we selected a sample to determine whether transactions were treated in accordance with the CAM and not in conflict with Guideline requirements. From the population of feedback cases received within the period, we selected a sample to determine if the feedback cases were received on the basis Energex or the EQL Group has not provided contestable services to customers 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.
5	Cost allocation and attribution	3.2.2 (c)	A DNSP must establish, maintain and keep records that demonstrate how it meets cost allocation	Measure (s): <ul style="list-style-type: none"> CAM continues to incorporate Ring-Fencing requirements Monthly variance analysis conducted. 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
			and attribution Obligations.	<ul style="list-style-type: none"> Monthly reconciliation of budget vs actual. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the CAM to determine that it addresses the allocation of costs between distribution services and non-distribution services. From the population of monthly reconciliation reports we selected a sample to determine whether transactions were treated in accordance with the CAM and not in conflict with Guideline requirements. 			
6	Obligation not to discriminate	4.1(b)	<p>A DNSP must not discriminate (either directly or indirectly) between a related electricity service provider and a competitor (or potential competitor) of a related electricity service provider in connection with the provision of:</p> <p>i. direct control services by the DNSP (whether to itself or to any other legal entity); and / or</p> <p>ii. contestable electricity services by any other legal entity.</p>	<p>Measure (s):</p> <ul style="list-style-type: none"> Staff are located in offices based on role and Ring-Fencing physical separation requirements to building services for appropriate Ring-Fencing physical separation based on DNSP/Responsible Electricity Service Provider (RESP) role. Call Quality Evaluations. EQL Ring Fencing training material. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the office and accommodation arrangements to determine whether: <ul style="list-style-type: none"> Energex offices or accommodation are separate from its affiliate (or appropriate segregation is in place through the use of electronic access controls). Secure floors and offices have been identified. 	<p>Based on the testing performed we have not identified any matters of exception, however, we have identified a matter of improvement against the measures, with key point(s) below:</p> <ul style="list-style-type: none"> The Call Quality Evaluation Form did not capture which entity for which the call was received by. 	<p>To address the identified matters of improvement, we recommend the below:</p> <ul style="list-style-type: none"> The Call Quality Evaluation Form is updated to identify the entity for which the call was received by. 	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
				<ul style="list-style-type: none"> From the population of procurement contracts executed during the period we selected a sample to determine whether Ring-Fencing requirements for service providers have been included (where appropriate); and agreements have been signed and executed. From the population of call quality evaluations, we selected a sample to determine whether the evaluations assessed for discriminatory behaviour between a related electricity service provider and a competitor. We inspected the Queensland government tender website QT Tender, utilised by EQL Group to ensure that contracts are not being granted without going out to tender or engaging in a fair selection process. We inspected the EQL Ring Fencing training material to determine whether it outlined that Energex cannot discriminate (either directly or indirectly) between a related electricity service provider and a competitor. 			
7	Offices, staff, branding and promotions	4.2.1(a)	A DNSP must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services.	<p>Measure (s):</p> <ul style="list-style-type: none"> Individual office security arrangements are based on type of offices (RESP only, DNSP only, mixed DNSP/RESP, regional). Staff re-located based on roles – DNSP / Corporate / RESP. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the office and accommodation arrangements to determine whether: 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
				<ul style="list-style-type: none"> ○ Energex offices are separate from its affiliate (or appropriate segregation is in place through the use of electronic access controls). ○ Secure floors and offices have been identified. • For the staff seconded over the period we inspected their physical access records across Energex and the affiliate offices to determine whether they were restricted from entering secure floors or offices across Energex's offices whilst on secondment at the affiliate. 			
8	Staff sharing	4.2.2(a)	A DNSP must ensure that its staff involved in the provision or marketing of direct control services are not also involved in the provision or marketing of contestable electricity services by a related electricity service provider.	<p>Measure (s):</p> <ul style="list-style-type: none"> • EQL employee induction and training material includes Ring-Fencing awareness requirements. • All role descriptions updated to ensure description does not include a requirement to undertake both RESP and DNSP activities. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected the training material to determine whether it includes the obligation for a DNSP not to discriminate between a related electricity service provider and a competitor. • We inspected a sample of Energex role descriptions to determine whether their role did not require them to undertake both RESP and DNSP activities. 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
9	Staff sharing	4.2.2(c)	The remuneration, incentives and other benefits (financial or otherwise) a DNSP provides to a member of its staff must not give the member of staff an incentive to act in manner that is contrary to the DNSP's Obligations under this Guideline.	<p>Measure(s):</p> <ul style="list-style-type: none"> • Performance Framework User Guide. • Remuneration template is Ring-Fencing compliant based on staff position. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected the Official Performance Framework User Guide to confirm that Leaders were not incentivised for growth in revenue for an unregulated service. • We inspected the program in place to oversee the allocation of KPIs across both Energex and their affiliated entity to determine whether Energex staff were not incentivised to refer opportunity to their affiliated entities. • We inspected a populated incentive template of a EQL staff member to determine whether their incentives were contrary to the DNSPs obligations. • From the population of staff, we obtained a sample to test whether they were their performance measures provided incentive to act in manner that is contrary to the DNSP's Obligations. 	Based on the testing performed we have not identified matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
10	Branding and cross-promotion	4.2.3(a)	<p>A DNSP:</p> <p>i. must use branding for its direct control services that is independent and separate from the branding used by a related electricity service provider for contestable electricity services, such that a reasonable person would not infer from the respective branding that the DNSP and the related electricity service provider are related.</p> <p>ii. Must not advertise or promote its direct control services and its contestable electricity services that are not direct control services together (including by way of cross-advertisement or cross-promotion).</p> <p>iii. must not advertise or promote contestable electricity services provided by a related electricity service provider other than the DNSP itself.</p>	<p>Measure (s):</p> <ul style="list-style-type: none"> • Ring-Fencing training. • Ring-Fencing training register. • DNSP/RESP fleet follow approved Ring-Fencing Branding Guidelines. • Contract templates have been updated to reflect Ring-Fencing requirements where applicable. • EQL email signature guidelines are in available on the EQL Brand Centre. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected training material to determine whether it outlined the branding and marketing requirements as per the Guideline. • We inspected Energex’s website to determine there are no contestable electricity services being promoted or referenced on the website. • We inspected EQL’s Branding Guidelines for Ring-Fencing specific treatment of branding to determine whether Energex promote the branding of their affiliates and included consideration of fleet. • We inspected Schedule 6 – Ring Fencing Requirements for Service Providers to determine whether Energex promote their affiliates. • From the population of customer feedback, we selected a sample of feedback received (via the Ombudsman and Energex directly) over the audit period to determine whether their customers expressed confusion over the brands when provided with service from Energex staff. • We inspected the EQL email signature guidelines to 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
				<p>determine whether DNSP staff signatures:</p> <ul style="list-style-type: none"> ○ Are independent of branding used by RESP; ○ Do not advertise or promote its direct control services and its contestable electricity services, and; ○ Do not advertise or promote contestable electricity services. 			
11	Office and staff registers	4.2.4 (a), (b)	<p>A DNSP must establish, maintain and keep a register that identifies:</p> <p>(a) the classes of offices to which it has not applied; and</p> <p>(b) the nature of the positions (including a description of the roles, functions and duties) of its members of staff and must make the register publicly available on its website.</p>	<p>Measure (s):</p> <ul style="list-style-type: none"> • Staff sharing registers available on the Energex website https://www.Energex.com.au/network/help-and-support/about-us/the-electricity-industry/ring-fencing . • Register updated as required. • Staff sharing quick reference matrix available and easy to access on the EQL intranet. • Staff system access records. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We conducted a search for the registers on the Energex customer-facing website to determine whether they were in place in place. • We inspected the registers to determine information that identified: <ul style="list-style-type: none"> ○ (a) the classes of offices to which it has not applied; and, ○ (b) the nature of the positions (including a 	<p>Based on the testing performed we identified matters of improvement against the measures, with key point(s) below:</p> <ul style="list-style-type: none"> • There was no version control or point of contact reference evident on the office and staff register. 	<p>To address the identified matters of improvement, we recommend the below:</p> <ul style="list-style-type: none"> • Energex include a version control number to denote the version of the staff sharing register and a point of contact (i.e. the Ring-Fencing functional mailbox). 	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
				<p style="text-align: center;">description of the roles, functions and duties) of its members of staff.</p> <ul style="list-style-type: none"> • We inspected the staff sharing quick reference matrix and the clarity of instructions provided to determine whether a staff member working for the DNSP can be shared with the affiliate. • For the staff seconded over the period we inspected their system access records across Energex and the affiliate to determine whether they were not accessing secure and contestable electricity information across Energex whilst on secondment at the affiliate. 			
12	Protection of confidential information	4.3.2 (a) (b)	A DNSP must: (a) keep confidential electricity information confidential (b) only use confidential information for the purpose for which it was acquired or generated	<p>Measure (s):</p> <ul style="list-style-type: none"> • All commonly used SharePoint sites have been assessed to determine if they should be ring-fenced and action taken to remove RESP access where required and testing of access conducted. • Procedures put in place requiring Ring-Fencing assessment of new SharePoint sites. • Document containing 1,543 information sources assessed to determine Ring-Fencing status and RESP access removed where required. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected the procedures required to be followed for Ring-Fencing assessment of a sample of new SharePoint sites to determine whether it addressed Guideline requirements regarding the treatment of confidential information. 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
				<ul style="list-style-type: none"> From the population of 1,543 information sources we tested whether all staff seconded and affiliate staff accessed secure information when not permitted. 			
13	Disclosure of information	4.3.3 (a)-(g)	<p>A DNSP must not disclose confidential electricity information to any person, including a related electricity service provider, unless:</p> <p>(a) the DNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom the confidential information relates;</p> <p>(b) the disclosure is required by, or for the purpose of complying with any law;</p> <p>(c) the disclosure is necessary to enable the DNSP to provide its distribution services, its transmission services or its other services (including by acquiring services from other legal entities);</p> <p>(d) the information has been requested by or on behalf of a customer, or potential customer, of another legal entity, and the disclosure is necessary to enable the legal</p>	<p>Measure (s):</p> <ul style="list-style-type: none"> All commonly used SharePoint sites have been assessed to determine if they should be ring-fenced and action taken to remove RESP access where required and testing of access conducted. Procedures put in place requiring Ring-Fencing assessment of new SharePoint sites. Document containing 1,543 information sources assessed to determine Ring-Fencing status and RESP access removed where required. Monthly review of IT user access to monitor any inappropriate access to systems for Energex staff. Information sharing protocol. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the procedures required to be followed for Ring-Fencing assessment of a sample of new SharePoint sites to determine whether it addressed Guideline requirements regarding the treatment of confidential information. From the population of 1,543 information sources we tested whether all staff seconded and affiliate staff accessed secure information when not permitted. We obtained an IT user access listing for all Energex systems that contain confidential 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
			<p>entity to provide its transmission services, contestable electricity services or other services to the customer or potential customer;</p> <p>(e) the disclosure is solely for the purpose of providing assistance to another Network Service Provider in response to an event (such as an emergency) that is beyond the other Network Service Provider's reasonable control;</p> <p>(f) the disclosure is solely for the purposes of research by a legal entity other than a related electricity service provider of the DNSP</p> <p>(g) a related electricity service provider of the DNSP has requested the disclosure and the DNSP complies with clause 4.3.4 in relation to that confidential information.</p>	<p>information and compared to listing of Yurika employee to determine whether there is any inappropriate access.</p> <ul style="list-style-type: none"> We have reviewed the information sharing protocol for consistency with the requirements of the Guideline. 			
14	Information register	4.3.5 (a) - (c)	<p>(a) A DNSP must establish, maintain and keep a register of all:</p> <p>i. related electricity service providers;</p> <p>ii. other legal entities</p>	<p>Measure (s):</p> <ul style="list-style-type: none"> Information register available on the Energex website https://www.Energex.com.au/network/help-and-support/about-us/the-electricity-industry/ring-fencing. 	<p>Based on the testing performed we identified matters of improvement against the measures, with key point(s) below:</p> <ul style="list-style-type: none"> There was no version control or point of contact reference 	<p>To address the identified matters of improvement, we recommend the below:</p> <ul style="list-style-type: none"> Energex include a version control number to denote the version of the 	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
			<p>who provide contestable electricity services but who are not affiliates of the DNSP; who request access to information identified in clause 4.3.4(a), and must make the register publicly available on its website. (b) For each legal entity that has requested that a DNSP provide access to information identified in clause 4.3.4(a), the DNSP's information register must: i. identify the kind of information requested by the legal entity; and ii. describe the kind of information requested by the legal entity in sufficient detail to enable other legal entities to make an informed decision about whether to request that kind of information from the DNSP. (c) A legal entity may request that the DNSP include it on the information register in relation to some or all of the kinds of information that the DNSP is required to provide under clause 4.3.4(a), and the DNSP must</p>	<ul style="list-style-type: none"> • Information Request Form. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected the Information Register to determine whether: <ul style="list-style-type: none"> ◦ It was in place and that information disclosure is accurate and reflects recent information sharing. ◦ It is designed to meet the requirements of the Ring-Fencing Guideline. ◦ It is publicly available on the Energex website. ◦ It disclosed staff shared or seconded over the period. • We inspected the Information Sharing Protocol to determine whether it sets out how and when it will make confidential information available to RESPs and other legal entities on an equal basis. • We inspected Energex's customer-facing website to determine whether its Information Register was available for download. 	<p>evident on the information register.</p>	<p>information register and a point of contact (i.e. the Ring-Fencing functional mailbox).</p>	

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
			comply with that request.				
15	Conduct of service providers	4.4.1 (a)	<p>A DNSP: (a) must ensure that any new or varied agreement between the DNSP and a service provider, for the provision of services to the DNSP that enable or assist the DNSP to supply direct control services, requires the service provider to comply, in providing those services, with:</p> <p>i. clauses 4.1, 4.2.1, 4.2.2 and 4.3.2 of this Guideline; and</p> <p>ii. clause 4.2.3 of this Guideline in relation to the brands of the DNSP; as if the service provider was the DNSP.</p>	<p>Measure (s):</p> <ul style="list-style-type: none"> Mandatory Ring-Fencing requirements are included in all service provider agreements - Schedule 6 – Ring Fencing Requirements for Service Providers. Contract templates have been updated to reflect Ring-Fencing requirements where applicable. Contracts register. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected "Schedule 6 – Ring Fencing Requirements for Service Providers" to determine whether it contained clauses or statements that provide direction to service providers of Energex and its related bodies corporate on the obligations under the Ring-Fencing Guideline that it must comply with under the terms of the Contract. From the population of Energex's procurement contracts, we selected a sample of procurement contracts executed during the period to determine whether: <ul style="list-style-type: none"> the Ring-Fencing requirements for service providers have been included (where appropriate) and determined whether the agreements have been signed and executed. 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
16	Conduct of service providers	4.4.1 (b)	A DNSP: (b) must not, directly or indirectly, encourage or incentivise a service provider to engage in conduct which, if the DNSP engaged in the conduct itself, would be contrary to the DNSP's Obligations.	<p>Measure (s):</p> <ul style="list-style-type: none"> Schedule 6 – Ring Fencing Requirements for Service Providers. Contract templates have been updated to reflect Ring-Fencing requirements where applicable. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected "Schedule 6 – Ring Fencing Requirements for Service Providers" to determine whether it contained clauses or statements that provide direction to service providers of Energex and its related bodies corporate on the obligations under the Ring-Fencing Guideline that it must comply with under the terms of the Contract. From the population of Energex's procurement contracts, we selected a sample of procurement contracts executed during the period to determine whether: <ul style="list-style-type: none"> the Ring-Fencing requirements for service providers have been included (where appropriate) and determined whether the agreements have been signed and executed. 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.
17	The AER will not grant a waiver of an Obligation under this Guideline other than in accordance	5.2 (a) - (h)	A DNSP may apply in writing to the AER for a waiver . An application for a waiver must contain all information and materials necessary to support the DNSP's application, including:	<p>Measure (s):</p> <ul style="list-style-type: none"> Waiver Register created and available on Energex customer-facing website https://www.Energex.com.au/network/help-and-support/about-us/the-electricity-industry/ring-fencing . 	Based on the testing performed we identified matters of improvement against the measures, with key point(s) below: <ul style="list-style-type: none"> There was no version control or point of contact reference evident on the waiver register. 	To address the identified matters of improvement, we recommend the below: <ul style="list-style-type: none"> Energex include a version control number to denote the version of the waiver register and a point of contact (i.e. the 	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
	with this clause 5		<p>(a) the Obligation in respect of which the DNSP is applying for a waiver;</p> <p>(b) the reasons why the DNSP is applying for the waiver;</p> <p>(c) details of the service, or services, in relation to which the DNSP is applying for the waiver;</p> <p>(d) the proposed commencement date and expiry date (if any) of the waiver and the reasons for those dates;</p> <p>(e) details of the costs associated with the DNSP complying with the Obligation if the waiver of the Obligation were refused;</p> <p>(f) the regulatory control period(s) to which the waiver would apply;</p> <p>(g) any additional measures the DNSP proposes to undertake if the waiver were granted; and</p> <p>(h) the reasons why the DNSP considers the waiver should be granted with reference to the matters specified in clause 5.3.2(a),</p>	<p>Tests Performed:</p> <ul style="list-style-type: none"> • We performed a search of Energex’s customer-facing website to determine whether a Waiver Register is publicly available. • We inspected a sample of applications in the Waiver Register to determine whether for information relating to and supporting Clauses (a) to (h). • We cross-checked the details contained on the waiver register against the waiver decisions published on the AER website. 		Ring-Fencing functional mailbox).	

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
			including the benefits, or likely benefits, of the grant of the waiver to electricity consumers.				
18	Waiver register	5.7 (a)	A DNSP must establish, maintain and keep a register of all waivers (including any variation of a waiver) and must make the register publicly available on its website.	<p>Measure (s):</p> <ul style="list-style-type: none"> Waiver Register created and available on Energex’s customer-facing website https://www.Energex.com.au/network/help-and-support/about-us/the-electricity-industry/ring-fencing . <p>Tests Performed:</p> <ul style="list-style-type: none"> We performed a search of Energex’s customer-facing website to determine whether a waiver register is publicly available. We cross-checked the details contained on the waiver register against the waiver decisions published on the AER website. 	Based on the testing performed we identified matters of exception against the obligation. These matters are reported in Section 5.2 (a) - (h) above.	Refer above for 5.2 (a) - (h).	No Exception.
19	Waiver register	5.7 (b)	The register established under clause 5.7(a) must include: i. the description of the conduct to which the waiver or interim waiver applies; and ii. the terms and conditions of the waiver or interim waiver; as set out in the AER’s written decision, provided by the AER to the DNSP, to grant (or vary) the waiver or interim waiver.	<p>Measure (s):</p> <ul style="list-style-type: none"> Waiver Register created and available on Energex Website https://www.Energex.com.au/network/help-and-support/about-us/the-electricity-industry/ring-fencing . <p>Tests Performed:</p> <ul style="list-style-type: none"> We performed a search of Energex’s customer-facing website to determine whether a waiver register is publicly available. We inspected the applications in the Waiver Register to determine whether for information relating to and supporting: <ul style="list-style-type: none"> o Clauses (a) to (h). 	Based on the testing performed we identified matters of exception against the obligation. These matters are reported in Section 5.2 (a) - (h) above.	Refer above for 5.2 (a) - (h).	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
				<ul style="list-style-type: none"> We cross-checked the details contained on the waiver register against the waiver decisions published on the AER website. 			
20	Maintaining compliance	6.1	A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its Obligations under this Guideline.	<p>Measure(s):</p> <ul style="list-style-type: none"> Ring-Fencing Awareness training module has significant update and has been rolled out. Ring-Fencing training added to annual EQL Group compliance training requirements. Confidential Information Policy includes Ring-Fencing obligations. Ring-Fencing breach register is created, maintained and updated. Breach Materiality Calculator in place which assesses breaches to determine if material. Each breach is submitted with the outcomes of the materiality calculator. ring.fencing@energyq.com.au email address available for all staff to request clarifying advice on Ring-Fencing issues. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the Confidential Information Policy to determine EQL Groups approach to the management and handling of Confidential Information. We inspected a copy of Energex's Ring-Fencing Breach Register to determine whether reportable breaches were classified as follows: <ul style="list-style-type: none"> Date of the breach; Reportable date of the breach; The nature and cause of the breach; Impacts of the breach, and; 	<p>Based on the testing performed we identified matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> 227 employees have yet to complete the Ring-Fencing training, this equates to 2.8% of total Energy Queensland Group staff. During the period there was limited second line monitoring of Ring-Fencing compliance across Energex. With 227 personnel not having completed mandatory Ring-Fencing training, there is a risk that Ring-Fencing matters go undetected. Whilst no Ring-Fencing matters have been identified during the audit period, customer contact points such as complaints may be used as identification of Ring-Fencing non compliances or near misses. Energex complaints are not monitored or assessed for potential Ring-Fencing consideration. There is a risk potential Ring-Fencing breaches may be missed. 	<p>To address the results of testing we recommend:</p> <ul style="list-style-type: none"> The 227 Energex employees who have not yet completed Ring-Fencing training program do so as soon as possible. Consider the restriction of secondment of these employees until Ring-Fencing training is completed. Energex allocate the responsibility of monitoring Ring-Fencing compliance matters to a dedicated team or person. Energex consider flagging complaints for potential Ring-Fencing consideration. 	Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
				<ul style="list-style-type: none"> ○ Remediation activities to address the breach. • We inspected the Reporting potential Ring-Fencing breaches Guidance for Energy Queensland staff to determine whether it provides guidance for EQL staff on how to identify, and escalate for investigation, potential breaches of the AER's Ring-Fencing Guideline. • We inspected Energex's Breach Materiality calculator to determine whether its suitability for supporting employees with maintaining compliance with the obligations. • From the population of Ring-Fencing business enquiries we inspected a sample of emails sent to ring.fencing@energyq.com.au to determine the types of enquiries made by employees and the responses provided to employees to support maintaining compliance with the obligations. • From the population of Energex's Complaints, we selected a sample to determine whether potential Ring-Fencing reportable/missed breaches were contained in the register. 			
21	Annual compliance report	6.2.1 (a), (b) (c)	<p>A DNSP must prepare an annual ring--fencing compliance report each regulatory year.</p> <p>The annual compliance report must identify and describe, in respect of</p>	<p>Measure(s):</p> <ul style="list-style-type: none"> • Annual Compliance Report 2019/20. • Annual Compliance Report 2018/19 expectations. • Ring-Fencing breach register is created, maintained and updated. • Breach Materiality Calculator in place which assesses breaches to determine if material. Each 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
			<p>the regulatory year to which the report relates:</p> <p>i. the measures the DNSP has taken to ensure compliance with its Obligations under this Guideline;</p> <p>ii. any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP; and</p> <p>iii. all other services provided by the DNSP in accordance with clause 3.1; and</p> <p>iv. the purpose of all transactions between the DNSP and an affiliated entity.</p> <p>The annual compliance report must be accompanied by an assessment of compliance by a suitably qualified independent authority.</p>	<p>breach is submitted with the outcomes of the materiality calculator.</p> <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected a copy of Energex’s Annual Compliance Report 2019/20 to determine it addresses points (i) to (iv) of the obligation and that the disclosures are consistent with our expectation based on the reasonable assurance procedures performed. • We inspected the Annual Compliance Report 2018/19 to determine whether all open exceptions were addressed in the audit period. • We inspected a copy of Energex’s Ring-Fencing Breach Register to determine reportable breaches were classified as follows: <ul style="list-style-type: none"> ○ Date of the breach; ○ Reportable date of the breach; ○ The nature and cause of the breach; ○ Impacts of the breach, and; ○ Remediation activities to address the breach. • We inspected Energex’s Breach Materiality calculator to determine its suitability for supporting employees with identifying and subsequently reporting material breaches within 5 business days. 			
22	Compliance breaches	6.3	A DNSP must notify the AER in writing within 5 (five) business days of becoming aware of a material breach of	<p>Measure (s):</p> <ul style="list-style-type: none"> • Ring-Fencing breach register is created, maintained and updated. 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
			<p>its Obligations under this Guideline.</p>	<ul style="list-style-type: none"> • Breach notification and reporting procedure in places. • Customer feedback and Ombudsman enquiry. • Breach Materiality Calculator in place which assesses breaches to determine if material. Each breach is submitted with the outcomes of the materiality calculator. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected a copy of Energex's Ring-Fencing Breach Register for reportable breaches and identification of the reporting date of the breaches being within the acceptable mandated window to determine whether breaches and/or near misses were captured during the period. • We inspected compliance breaches during the period against feedback received by customers via the call centre and Ombudsman to determine whether Ring-Fencing breaches were considered and subsequently reported in accordance with the Guideline. • We inspected Energex's breach materiality classification to determine its suitability for supporting employees with maintaining compliance with the obligations. 			

Management Response(s)

The following table provides management response(s) against each identified exception. (managements responses are not within the scope of our assurance report).

No.	Category	Ref.	Guideline Obligation	Results of Testing	Rating	Material Breach	Management Comments
20	Maintaining compliance	6.1	A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its Obligations under this Guideline.	<p>Based on the testing performed we identified matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> • 227 employees have yet to complete the Ring-Fencing training, this equates to 2.8% of total Energy Queensland Group staff. • During the period there was limited second line monitoring of Ring-Fencing compliance across Energex. With 227 personnel not having completed mandatory Ring-Fencing training there is a risk that Ring-Fencing matters go undetected. • Whilst no Ring-Fencing matters have been identified during the audit period, customer contact points such as complaints may be used as identification of Ring-Fencing non compliances or near misses. Energex complaints are not monitored or assessed for potential Ring-Fencing consideration. There is a risk potential Ring-Fencing breaches may be missed. 	Exception.	No.	

